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Volume 2, Number 2
April, 1988

Montana Science & Technology Alliance

Striving to promote a partnership between government, academia & business

Report

MSTA Invests in Six Research and Development Technology Projects

The Montana Science and Technology Alliance board of directors voted to place research and development technology investments in six projects at its recent meetings totalling $405,750.

The board voted to invest $197,000 in an applied research project proposed by Hydro Processing and Mining of Montana in Butte. The Alliance's funds will be matched with $150,000 in cash and $50,000 in pre-spent cash. The funds will be used to build and operate an air-sparged hydrocyclone at the Minerals Resources Center at the Montana College of Mineral Science and Technology to process mill tailings from various locations throughout Montana. The research and development phase of this project is expected to last ten months, and, if successful, the information obtained from the pilot plant will be used to design and build a full-scale commercial plant to process tailings in Montana.

This two and one-half year project is the first phase of a five-year research project to develop a vaccine for the prevention of salmonellosis in poultry.

The board also voted to invest $100,000 in an applied research project proposed by Skyland Scientific Services, Inc. of Bozeman. An equal amount of matching funds will be provided by the company. Also participating in the project research is Dr. D.A. Schiemann of Montana State University. This two and one-half year project is the first phase of a five-year research project to develop a vaccine for the prevention of salmonellosis in poultry. Skyland anticipates creating up to ten new jobs during the research phase and another eight jobs at the commercialization phase. If successful, Skyland expects sales to begin in 1993 and anticipates annual sales revenues of $1 million by 1996.

If successful, the expert system will be adapted to other fields of agriculture that are important to Montana's economy.

The board voted to invest $28,750 in an applied research project proposed by Dr. Donald Boyd of Montana State University. The Alliance's funds will be matched with an equal amount of private funding. The investment will be used in two ways. First, it will be used to develop a prototype expert system (a type of computer software embodying artificial intelligence) for seed potato production, a major crop of the Gallatin Valley. Second, the initial testing of the prototype system will be conducted on a select group of seed potato farmers. The results of the testing will be used to finalize the commercial grade expert system. Negotiations are ongoing to secure a commercial partner who will market this software system. If successful, the expert system will be adapted to other fields of agriculture that are important to Montana's economy.

The board also voted to invest $29,000 in a research capability development project proposed by Dr. William Characklis of Montana State University's Institute for Biological and Chemical Process Analysis laboratory. The funds will be used to purchase a state-of-the-art total carbon analyzer for the laboratory. Matching funds were used to purchase a state-of-the-art autoclave that is housed in the same laboratory. This type of analysis is the fundamental microbial process engineering measurement. The instrument will be the only one of its kind in the state and will be utilized by other university system units as well as other public and private agencies.

In addition, the board voted to invest $36,000 in a technical assistance project proposed by CVM Ventures of Helena. The investment in CVM will facilitate the transfer of commercially appropriate technology which currently resides in the laboratories of Montana's university system to the commercial marketplace. CVM will conduct a series of technology review sessions on various campuses to hear presentations on research projects and evaluate the commercial potential of the projects. It is hoped that the Alliance will find potential investment opportunities and or other avenues through which the research can be commercialized for the benefit of Montana.

The investment in CVM will facilitate the transfer of commercially appropriate technology to the commercial marketplace.

Finally, the board voted to invest $15,000 in a technical assistance project proposed by the Billings Chamber of Commerce. The funds, matched with a total of $15,000 from Eastern Montana College, Billings Chamber of Commerce, Mountain Bell and the Billings City Council, will be used to conduct a business incubator feasibility study. The project hopes to accomplish three goals: to identify potential entrepreneurs and create a business and entrepreneurial inventory; to identify and catalog available resources, sources of capital and business expertise for the potential entrepreneurs; and to design a management and operations plan for the incubator. If the results of the study prove positive, it is hoped that an incubator will become a reality and a benefit to young businesses in the Billings area.

PLEASE RETURN

Montana Science and Technology Alliance Welcomes New Staff

To handle the increasing investment responsibilities, the Alliance has added three new staff members: Stephen D. Huntington, Mary Ann Petesch and Joyce Andrus.

Stephen D. Huntington has served as investments manager for the Alliance since July of 1987. He has eight years of service in the public sector at the state level. Previously, he held positions as budget administrator and administrator of the Office of Economic Analysis for the Department of Commerce and served as a budget officer for the Office of the Legislative Fiscal Analyst.

Mr. Huntington received a B.A. degree in political science and has completed extensive graduate level law and public administration courses at the University of Montana.

MONTANA SCIENCE AND TECHNOLOGY ALLIANCE

Report

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Montana Science and Technology Alliance
Department of Commerce
46 North Last Chance Gulch, Suite 2B
Helena, Montana 59620
(406) 449-2778

New Alliance staff: Ms. Andrus, Ms. Petesch and Mr. Huntington, (left to right) at the Alliance office.

Mary Ann Petesch joined the Alliance staff in July of 1987 as a financial officer. She has four years of service in the public sector at the state level and seven years of service in the private sector. Previously, she held positions responsible for financial management with the Montana Board of Housing and several units of the Professional and Occupational Licensing Bureau of the Business Regulation Division of the Department of Commerce. Ms. Petesch holds a B.A. degree from the University of Montana.

Joyce Andrus joined the Alliance staff in July of 1987 as a program assistant. She has ten years of service in the public sector at the state level in Montana and five years of service in the private sector. During the 1983, 1985 and 1987 legislative sessions, she served as Representative John Vincent's legislative assistant. Between the 1983 and 1985 sessions, she was assistant to the director of the State Bar of Montana. Prior to that she was a paralegal and hearings officer at the Department of Social and Rehabilitation Services and an administrative secretary and paralegal to former Governor Thomas L. Judge for five years.

MSTA Invests In Technology Centers of Excellence Program

At its meeting on February 2, 1988, the MSTA board of directors unanimously voted to reserve a $600,000 research capability development investment commitment in the centers of excellence program initiative that was targeted by the Alliance for implementation during this biennium. A total of $200,000 is reserved for each of the three proposed centers. In addition, the board adopted final selection criteria for the proposed centers.

At its February 1st meeting the Alliance research and development committee discussed Montana's proposed centers of excellence program, how similar programs are operated in other states, developed selection criteria to evaluate the proposed centers and established a timeline for implementation. Three technology centers of excellence have been proposed: "Research Center of Excellence for Materials Processing" with Montana College of Mineral Science and Technology as the lead institution; "Biotechnology Center of Excellence" with the University of Montana as the lead institution; and "Advanced Minerals and Process Sciences Center of Excellence" with Montana State University as the lead institution.

Initially, each proposed center will receive a $25,000 investment to write a development and operations plan. This plan will identify leadership for the proposed centers, identify the private industry participants and discuss the formal operations structure and plan for the proposed center. It is anticipated that the planning phase will be completed by May 31, 1988.

The development and operations plans for the proposed centers will be subjected to a rigorous peer review process and evaluated against the board's technology centers of excellence criteria. The results of the evaluation will be presented to the board of directors for its consideration. It is anticipated that the Alliance's investment in the centers program will be the "seed" money to initiate the programs and that the university system will seek expanded funding levels from the next legislative session to support the centers until they reach economic self sufficiency.

MSTA Board Invests in Two Seed Capital Technology Projects

The Montana Science and Technology Alliance board of directors took action on seed capital technology investments in two companies during its recent meetings totalling $250,000.

A $150,000 funding commitment was closed with Infotech, a company locating in the Butte Business Development Center's incubator. The Alliance's investment will be matched with prespent funds and $264,000 of contracted revenues from its core group of subscribers. The company will use the funds to finalize development of its software system, to establish its information database and to secure its charter group of subscribers. The system currently involves the containment of tire-related expenses in mining and will be expanded to include all tire-intensive industries. If successful in this phase, the company hopes to achieve sales of $5 million by the fifth year and create 23 new jobs.

Infotech addresses a specific niche in the "value-added" area of the mining industry and other heavy industries operating in Montana and the world. The company applies the latest in information management technology to reduce the costs of operation, thus improve financial margins in very expense-sensitive industries.

The computer applications envisioned by Infotech are tailored to the coming trends in information management. The company's database and software products are industry specific, can be adapted to unique user situations, and rely on the most available information management tool—the personal computer. Infotech's intention is to expand beyond tire system applications in mining to general monitoring and cost containment systems for wear components in all equipment-intensive industries. Such an expansion could significantly impact the income and employment base of Infotech and the state.

A $100,000 funding commitment is in place with Health Incentives, Inc. of Missoula. This investment amount is to be part of a larger round of financing of at least $200,000. The company's major product is a patient advocacy service package it sells to companies to help contain raising corporate health care costs.

Health Incentives' services address one of the most promising areas of the health care cost containment market. Traditional programs address standard insurance systems or the behavior of health care providers through health maintenance organizations and employer pre-approval programs. Health Incentives, on the other hand, impacts the behavior of the health care consumer with the goal of educating the consumer and making available the greatest possible information base for making health care decisions.

In both catastrophic care situations and the making of everyday treatment decisions, Health Incentives has proven the cost benefit of its programs through demonstrated employer savings. The range of programs offered by the company includes full scale "patient advocate service" and other, less expansive programs dedicated to wellness and single-session consumer education.

To date, the company has sold its services to fifteen Montana businesses. While the company will remain headquartered in Missoula, the funds invested will be used to establish a company office and begin servicing contracts in the Seattle-Portland area. If successful, the company hopes to achieve sales of $49 million by 1991.

Leland Walker Resigns from the MSTA Board of Directors

Leland Walker

Governor Schwinden reluctantly accepted the resignation of Lee Walker from the MSTA board of directors. Citing increasing business responsibilities, Mr. Walker, president of Northern Engineering and Testing located in Great Falls, submitted his resignation this past fall.

Mr. Walker has served with distinction as the chairman of the board's research and development committee and was a member of the board since its inception in July of 1985. Previously, he served for two years as a member of the Governor's Council on Science and Technology, the predecessor organization to the Alliance.

Throughout his tenure first with the council and then the board, his considerable experience both in engineering and business management as well as his dedication to encouraging the fostering of innovative technology projects proved invaluable. "He was a conscientious and dedicated board member whose support and effort contributed to the success of the Alliance. His contribution to the board will be missed," commented Chairman Steve Browning.

Governor Appoints New Member To the MSTA Board of Directors

Governor Schwinden recently appointed Lee F. Carothers to fill the vacancy on the MSTA board of directors. Mr. Carothers is the Montana division manager for Pacific Power and Light and is responsible for all company electric operations in Northwestern Montana which services over 28,000 customers. Mr. Carothers has held a series of increasingly responsible positions at Pacific Power since joining the company in 1962.

Lee F. Carothers

Mr. Carothers is involved in a number of community activities including serving as chairman of the Flathead Economic Development Corporation, president of the Kalispell Chamber of Commerce and is a member of the Montana Ambassadors. In addition, he serves as a board member of the First Interstate Bank and the Development Corporation of Montana and was a member of the Governor's supercollider task force.

MSTA Adopts Revised Administrative Rules, Publishes New Brochure

During the past legislative session, changes were authorized in the Alliance's investment programs. First, the Alliance's seed capital bond bill was enacted. This bill authorizes the Alliance to issue up to $16 million in taxable bonds over the next six years with the proceeds being used for direct investment in seed stage companies that are actively moving toward commercialization. Also authorized is the Alliance's investment in Montana venture capital companies that, in turn, would invest directly in individual seed stage projects. Second, a $2 million fund was appropriated by the legislature for investment in research and development projects during the 1989 biennium.

To address these changes in the Alliance's investment program mandated by the new legislation, the Alliance initiated the procedure to revise its administrative rules. A hearing was held in December, public comment was solicited and the revised rules were adopted and became effective early this year. The major changes address the expanded investment criteria for seed capital and research and development investments, a more extensive application review process and a new return-on-investment policy for the seed capital investment program. Interested parties may receive a copy of the new brochure by contacting the Alliance directly.

The purpose of the funds managed by the Alliance is not to provide free or less-than-market rate financing, but to provide a source of funds where none previously existed. Therefore, the Alliance typically pursues an aggressive return-on-investment policy. In order to better select the projects that will be "winners," the Alliance conducts a thorough review and due diligence process and assesses all projects against its investment criteria. This process can take from three to six months to complete after receiving an applicant's business plan or project proposal.

The Alliance, through careful investment practices, seeks to realize sufficient returns-on-investment from its seed capital portfolio companies to retire the bonds issued to raise its investment fund and from its research and development investments to replenish the research and development investment fund.

MSTA Meetings

May 26, 1988 in Helena
June 23, 1988 in Kalispell

MSTA Sponsors Third Annual Montana Venture Capital Forum

This year's Montana Venture Capital Forum will be held on Thursday and Friday, August 4-5, 1988, in Missoula. A brochure with registration form will be available in early June.

If you want more information,

Contact MSTA at: (406) 449-2778
46 N. Last Chance Gulch, Suite 2B
Helena, MT 59620

Summary of MSTA Funding Requests for Fiscal Year 1988

(as of March 31, 1988)

Inquiries	159
Executive Summaries	65
Summaries with University Participation Investments	31
Under Contract	22
Formal Proposals Under Consideration	23

Alliance Funds Requested

(in Executive Summaries)

Alliance Funds	$13,574,447
Private Matching Funds	$15,790,127
Project Costs from Summaries	$29,364,474

Funding Requests by Program Category

Seed Capital
38 summaries $11,110,204
Research and Development
27 summaries $ 2,464,243

Funding Requests by Geographic Region

Bozeman	19	Helena	4
Out-of-State	10	Billings	3
Butte	6	Whitefish	2
Missoula	6	Belgrade	2

Bigfork, Dagmar, Ennis, Great Falls, Hamilton, Kalispell, Livingston, Lolo, Malta, Opportunity, Ronan, Stevensville, and St. Ignatius 1 each

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Montana Science & Technology Alliance

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